

## Message Text

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ACTION TRSE-00

INFO OCT-01 ISO-00 EA-07 NEA-10 IO-13 H-02 L-03 PA-01

PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 EUR-12

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R 010805Z DEC 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3913

INFO USMISSION OECD PARIS

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY RANGOON

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 17681

MANILA FOR USADB

E.O. 11652: GDS

TAGS: BM, EAID, EFIN, AORG

SUBJECT: MEETING OF IBRD CONSULTATIVE GROUP ON BURMA

1. SUMMARY: TOKYO NOVEMBER 30 INAUGURAL MEETING OF IBRD CONSULTATIVE GROUP ON BURMA REFLECTS IBRD VIEW THAT BURMA'S GROWTH PROSPECTS WARRANT EFFORT TO MOBILIZE INTERNATIONAL RESOURCES FOR HER DEVELOPMENT. SESSION WAS MARKED BY FRANKNESS OF EXCHANGE BETWEEN GUB AND ACTUAL OR POTENTIAL DONORS. GUB EXPOSITION OF PLANS AND PRIORITIES MET VARIETY OF QUESTIONS AND COMMENTS, MOST OF WHICH DEALT WITH NEED FOR EFFECTIVE FOLLOW-UP ON RECENTLY INTRODUCED REFORMS, NEED FOR  
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DOMESTIC RESOURCE MOBILIZATION, AND ROLE OF FOREIGN PRIVATE

INVESTMENT. END SUMMARY.

2. IBRD CONSULTATIVE GROUP ON BURMA WAS INAUGURATED AT TOKYO MEETING NOVEMBER 30. DONOR NATIONS AND ORGANIZATIONS REPRESENTED WERE AUSTRALIA, CANADA, FRANCE, FRG, JAPAN, U.K. U.S., IBRD, ADB, UNDP AND IMF. AGENDA COMPRISED CHAIRMAN'S OPENING STATEMENT ON BACKGROUND AND PURPOSE OF MEETING, GUB EXPOSE OF NEW AND PLANNED ECONOMIC MEASURES, DONOR COUNTRIES' AND ORGANIZATIONS' COMMENTS ON BURMESE ECONOMIC CONDITIONS AND POLICIES (AS WELL AS QUESTIONS TO GUB ON THOSE POLICES), BURMESE REPLIES TO QUESTIONS, DONOR COUNTRIES' AND ORGANIZATIONS' ACCOUNT OF OWN AID PROGRAMS AND FUTURE AID PLANS, AND CLOSING STATEMENTS BY GUB DELEGATE AND CHAIRMAN.

3. CHAIRMAN (BLOBEL, IBRD) EXPLAINED THAT MEETING HAD ORIGINATED IN DISCUSSIONS SOME TIME AGO BETWEEN GUB AND IBRD ON ESTABLISHING FORUM WHERE FORMER COULD EXPLAIN POLICIES AND "MAKE ITS CASE FOR ASSISTANCE" TO INTERESTED COUNTRIES AND INTERNATIONAL ORGANIZATIONS. CHAIRMAN EXPRESSED VIEW THAT PROSPECTS FOR BURMESE ECONOMIC GROWTH NOW WARRANT INITIATION OF THIS EFFORT TO MOBILIZE ASSISTANCE FROM INTERNATIONAL COMMUNITY AND DESCRIBED MEETING'S PURPOSE AS ACHIEVEMENT OF BETTER UNDERSTANDING BETWEEN GUB AND INTERESTED COUNTRIES REPRESENTED AT MEETING.

4. GUB DELEGATE (U LWIN, DEPUTY PRIME MINISTER FOR PLANNING AND FINANCE) CITED MEASURES GUB HAS TAKEN AND INTENDS TO TAKE TO IMPLEMENT ITS 1977-78 TO 1981-2 "FIVE YEAR DEVELOPMENT PROGRAMME." DOMESTIC RESOURCE MOBILIZATION HAS INCLUDED TAX REFORM (BROADENING OF BASE AND MORE EFFECTIVE ADMINISTRATION), PRICE AND EXCHANGE RATE ADJUSTMENTS TO PROVIDE INCENTIVES FOR PRODUCERS AND TRADERS, AND STREAMLINING OF STATE ENTERPRISE MANAGEMENT. THE AGRICULTURAL SECTOR IS TO HAVE HIGHEST PRIORITY; IMPORTS WILL BE LIBERALIZED (INCREASING 9.3 PERCENT PER ANNUM) TO SERVE THIS PRIORITY AS WELL AS OTHER GROWTH-RELATED PROJECTS, EXPORTS WILL BE PROMOTED (INCREASING 8.4 PER CENT PER ANNUM) TO SUSTAIN IMPORT GROWTH. THE TRANSPORT SECTOR ALSO WILL RECEIVE MAJOR INPUTS AS

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WILL MINING AND FORESTRY SECTORS.

5. FOREIGN EXCHANGE SHORTFALL DICTATES GUB APPEAL FOR CONCESSIONAL LOANS (MAINLY FOR AGRICULTURAL DEVELOPMENT PROJECTS) AND FOR IMPORT FINANCING (FOR OTHER AGRICULTURAL INPUTS, E.G. FERTILIZER, INSECTICIDES, MACHINERY, SPARE PARTS).

6. RECURRING THEMES WHICH EMERGED FROM DONOR PRESENTA-

TIONS INCLUDED CONGRATULATIONS ON "FULL AND FRANK" GUB STATEMENTS AND ON "COURAGEOUS" REFORMS ALREADY UNDERTAKEN; EXHORTATIONS TO IMPLEMENT THESE REFORMS FULLY AND PROMPTLY AND TO ADD TO THEM, AND TO DEVISE A COMPREHENSIVE SCHEME FOR IMPLEMENTING THE FIVE-YEAR PLAN ADVICE TO BEND EVERY EFFORT TO MOBILIZE BURMA'S DOMESTIC RESOURCES FOR DEVELOPMENT; QUESTIONS AS TO THE ROLE, AMOUNT AND RATE OF INCREASE IN FOREIGN INVESTMENT CONTEMPLATED IN PLAN; AND REQUESTS FOR MORE SPECIFIC DOCUMENTATION ON VARIOUS ASPECTS OF THE PLAN. QUESTIONS WERE ALSO ASKED AS TO BURMA'S BANK CREDIT POLICY, MEANS OF CONTROLLING DEBT SERVICE, CONCRETE MEASURES FOR IMPORT LIBERALIZATION AND INFLATIONARY TRENDS (JAPAN); FUTURE TREND OF TAX RECEIPTS, WHICH, IT WAS NOTED, ARE NOT EXPECTED TO RISE IN PROPORTION TO GDP DURING FIVE YEARS OF PLAN (U.K.); POPULATION POLICY IN LIGHT OF POSSIBLE FUTURE PROBLEM (U.S.); SPECIAL MEASURES CONTEMPLATED TO ENCOURAGE DOMESTIC PRIVATE SECTOR(U.S.); AND PROGRESS OF CURRENT GUB FOUR-YEAR DEVELOPMENT PLAN NOW ENTERING ITS THIRD YEAR (U.S.). CHAIRMAN NOTED PARTICULAR NEED TO EXPAND CURRENT 8 PERCENT SAVING RATE IN ORDER TO ACHIEVE TARGET GROWTH RATE OF 6 PERCENT AND AUSTRALIA POINTED TO NEED FOR PRIVATE ENTERPRISE MANAGEMENT IN ORDER TO COMPETE SUCCESSFULLY IN INTERNATIONAL FORESTRY PRODUCTS AND MINERAL PRODUCTS MARKETS. DONOR REPRESENTATIVES SUBSEQUENTLY SUMMARIZED AID EFFORTS TO DATE AND GAVE SOME INDICATION FUTURE PLANS. POSITIVE NEW COMMITMENTS INCLUDED FRG AND JAPANESE ASSURANCES OF HELP IN FINANCING NAUNGGYAT DAM. ADDITIONAL AGREEMENT SIGNED NOVEMBER 26 BETWEEN GOJ AND GUB FOR FINANCING MANN OIL REFINERY (APPROX. DOLS 100,000,000, 3 PERCENT INTEREST OVER 25 YEARS WITH SEVEN-YEAR GRACE PERIOD). AUSTRALIAN

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ACTION TRSE-00

INFO OCT-01 ISO-00 EA-07 NEA-10 IO-13 H-02 L-03 PA-01

PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 EUR-12

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R 010805Z DEC 76  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 3914  
INFO USMISSION OECD PARIS  
AMEMBASSY BONN  
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AMEMBASSY RANGOON

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 17681

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DELEGATE SAID THERE WOULD BE NO INCREASE IN AUSTRALIA'S  
MODEST AID PROGRAM FOR BURMA AS ANY INCREASE IN  
GOA ASSISTANCE ALREADY EARMARKED FOR SOUTH PACIFIC  
AREA. CANADIAN DELEGATE SAID HE WOULD MAKE NO  
SPECIFIC PLEDGE, BUT CANADA HOPES TO PROVIDE ABOUT DOLS  
5 MILLION PER YEAR OVER THE NEXT FIVE YEARS AS ASSISTANCE  
FOR BURMA.

7. BURMA DELEGATE RESPONDED IN GENERAL TERMS TO SOME  
QUESTIONS AND NEGLECTED OTHERS, PLEADING LACK OF TIME.  
U LWIN DEALTH FIRST WITH QUESTIONS REGARDING PRIVATE  
FOREIGN INVESTMENT. HE SAID GUB IS PREPARED IN SPECIAL  
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CASES, E.G. OFFSHORE OIL AND FISHERIES, TO ENTER INTO  
AGREEMENT WITH FOREIGN FIRMS. QUESTIONS REGARDING  
EQUITY, MANAGEMENT CONTROL AND REPARATION  
OF FUNDS WOULD BE NEGOTIATED ON A CASE-BY-CASE BASIS. AFTER  
A MUTUALLY AGREED PERIOD, THE PROJECT WOULD BECOME THE  
SOLE PROPERTY OF THE GUB. U LWIN ALSO NOTED A DISCREPANCY  
BETWEEN THE IBRD'S ESTIMATE OF A GAP OF DOLS 50 MILLION  
BETWEEN NEEDED ASSISTANCE AND AVAILABLE EARNINGS AND  
THE GUB'S ESTIMATE THAT BURMA'S FOREIGN EXCHANGE GAP  
WOULD BE DOLS 200 MILLION PER ANNUM OVER THE NEXT FIVE  
YEARS, AND HE REITERATED BURMA'S NEED FOR DOLS 200  
MILLION PER YEAR.

8. CHAIRMAN IN CLOSING SUMMARY EMPHASIZED PROBING QUALITY  
OF EXCHANGE BETWEEN GUB AND GROUP MEMBERS. HE PRAISED  
PATIENCE AND RESPONSIVENESS OF GUB REPRESENTATIVE AND  
DETERMINATION EXPRESSED BY LATTER TO FOLLOW THROUGH,  
ADDING HOPE THAT "HE KNOWS HE HAS FRIENDS WHO CAN HELP".

FOR BOTH SIDES, FORMIDABLE OBSTACLES REMAIN. BURMA NEEDS TO SHARPEN PRIORITIES, SHAPE PROGRAM STRATEGY, FOLLOW THROUGH WITH REFORMS, MOBILIZE ENERGY OF PEOPLE ESPECIALLY IN AGRICULTURAL SECTOR; DONORS NEED TO EXPLORE FURTHER HOW BEST TO USE THEIR RESOURCES IN AID TO BURMA. CHAIRMAN NOTED IMPORTANCE IN MEDIUM TERM OF ASSURING FULL UTILIZATION OF EXISTING PRODUCTIVE CAPACITY.

9. IT WAS AGREED THAT THE GROUP WOULD MEET AGAIN IN ABOUT A YEAR.

10. COMMENT: NOTWITHSTANDING THE PRAISE GIVEN TO BURMA'S DEVELOPMENT EFFORTS IN OFFICIAL STATEMENTS, DELEGATES FROM NEARLY ALL NATIONS AND ORGANIZATIONS INCLUDING THE IBRD PRIVATELY EXPRESSED CONCERN REGARDING BURMA'S IMPLEMENTATION OF ECONOMIC REFORM AND ITS ABILITY TO FOLLOW THROUGH ON DEVELOPMENT PROJECTS. THE HIGH PRAISE MAY HAVE BEEN PROMPTED BY IBRD, GOJ AND UK EFFORTS TO POINT OUT TO OTHER DELEGATIONS (GOJ AND UK APPROACHED U.S.) THAT BURMA'S EFFORTS TO DATE MUST BE LAUDED IN SOME MANNER TO STRENGTHEN THE HAND OF THE "PRAGMATISTS" WITHIN THE GUB. ALL NATIONS AND ORGANIZATIONS REPRESENTED  
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SEEMED FASCINATED BY BURMA'S ECONOMIC POTENTIAL AND THIS PROBABLY PROMPTED THEIR PARTICIPATION AND THEIR EXPRESSED KEEN INTEREST IN INVESTMENT. CONFERENCE MEMBERS REACHED NO FINAL CONCLUSIONS AND PERHAPS THE ONLY DEFINITE AGREEMENT TO COME OUT OF THE CONFERENCE WAS THE ABOVE-MENTIONED ONE TO HOLD A SECOND MEETING NEXT YEAR.  
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